

Message Text

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54

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 IO-11 PA-01 PRS-01 DODE-00 /098 W

----- 048999

R 171539Z MAR 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7308

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION USBERLIN

USMISSION NATO BRUSSELS

USNMR SHAPE

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL HAMBURG

AMCONSUL STUTTGART

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

CINC EUR VAIHINGEN

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 04442

DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: JANUARY ECONOMIC INDICATORS UP; EARLIER DATA

REVISED; CAUTION COUNSELLED

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REF: BONN 01968, 4018, 4363

1. JANUARY NEW INDUSTRIAL ORDERS, SEASONALLY ADJUSTED AND IN VOLUME TERMS, HAVE BECOME AVAILABLE TO US AND ON FACE ARE MOST ENCOURAGING. TOTALLY THERE WAS A 5 PERCENT INCREASE OVER DECEMBER LEVELS. DOMESTIC ORDERS ROSE 3 PERCENT AND THOSE FROM ABROAD SURGED BY AN INCREDIBLE 14 PERCENT FROM ONE MONTH TO THE NEXT. THE PERFORMANCE IS ALL THE MORE REMARKABLE SINCE THE DECEMBER DATA BASE WAS ITSELF REVISED SUBSTANTIALLY UPWARD FROM THE LEVEL PUBLISHED A MONTH AGO. THEN, TOTAL DEMAND APPEARED TO DECLINE UNDER THE DECISIVE INFLUENCE OF A SHARP DROP IN EXPORT ORDERS AND IN THE PROCESS CAST A PALL OVER THE OUTLOOK. NOW, THERE WOULD APPEAR TO BE, IN THE OVERALL, NO DECEMBER DIP IN THE UPWARD TREND INITIATED IN AUGUST AND APPARENTLY CONTINUING THROUGH JANUARY.

2. IF THE JANUARY DATA WOULD HAVE REPEATED THE RATHER DISCOURAGING DECEMBER PERFORMANCE REPORTED A MONTH AGO, SERIOUS AND WIDESPREAD DOUBTS CONCERNING THE STRENGTH OF THE UPTURN WOULD HAVE TAKEN HOLD. PRESSURES FOR REFLATION WOULD HAVE GATHERED STEAM. THE RECENTLY RELEASED DATA DAMPENS OPEN SPECULATION OF THIS TYPE.

3. THERE ARE QUESTIONS BEING RAISED, HOWEVER, AS TO THE RELIABILITY OF THE NEW ORDERS INDICATOR. THE METHOD- OLOGY HAS BEEN CHANGED IN SOME MYSTERIOUS WAY, THE SEASONAL ADJUSTMENT PROCESS IS SUBJECT TO QUESTION, THE REVISIONS HAVE BEEN EXTENSIVE (THEY GO BACK A YEAR) AND SHOCKING IN MAGNITUDE (10 PERCENT UPWARD FOR DECEMBER EXPORT DATA ALONE). AS A RESULT, TECHNICAL OBSERVERS ARE HESITANT TO TRUST WHAT SHOULD BE THE MOST IMPORTANT LEADING INDICATOR OF WHERE THE ECONOMY IS HEADED. THE PRINCIPAL FINANCIAL DAILY, HANDELSBLATT, EDITORIALIZED AT LENGTH ON THIS THEME. WITHIN THE ECONOMICS MINISTRY ITSELF, AS WE ARE REPORTING SEPARATELY, THE JANUARY DATA IS BEING READ WITH CAUTION. IT IS THOUGHT TO BE A VOLATILE (AND HIGHLY REVISABLE) SERIES, AND ONE MONTH'S STRONG PERFORMANCE DOES NOT A DURABLE UPTURN MAKE SEEMS LIMITED OFFICIAL USE

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TO BE THE PREVAILING INFORMED OPINION, WITH CAUTION THE

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BYWORD.

4. THE INDUSTRIAL PRODUCTION SERIES WAS NOT REVISED AND
THE JANUARY INDEX NUMBER REFLECTED A GOOD 3 PERCENT
GROWTH OVER DECEMBER IN SEASONALLY ADJUSTED TERMS. (THE
JAN. 1976 NON-ADJUSTED LEVEL WAS 6.2 PERCENT OVER THE
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SAME MONTH LAST YEAR.) THE DECEMBER-JANUARY OVER OCTOBER-NOVEMBER GROWTH AT AN ADJUSTED ANNUAL RATE WAS 8 PERCENT. THIS IS A SOLID BUT A BACKWARD-LOOKING INDICATOR AS OPPOSED TO THE FORWARD ONE THAT MAKES THE NEW ORDERS SERIES SO TANTALIZING IF UNCERTAIN.

5. SEASONALLY ADJUSTED INDICES OF NEW INDUSTRIAL ORDERS
AND INDUSTRIAL PRODUCTION

| | TOTAL ORDERS 1/ | DOMESTIC ORDERS L/ | FOREIGN ORDERS L/ | IND. PROD. |
|--|--------------------|-----------------------|----------------------|---------------|
| | ----- | ----- | ----- | ----- |

1975

| | | | | |
|-------|-----|-----|-----|-----|
| JAN. | 102 | 97 | 121 | 104 |
| FEB. | 100 | 93 | 122 | 104 |
| MAR. | 97 | 94 | 115 | 104 |
| APR. | 101 | 96 | 115 | 102 |
| MAY | 96 | 90 | 117 | 101 |
| JUNE | 121 | 122 | 116 | 102 |
| JULY | 103 | 98 | 117 | 99 |
| AUG. | 98 | 91 | 122 | 101 |
| SEPT. | 106 | 96 | 135 | 103 |
| OCT. | 106 | 98 | 137 | 105 |
| NOV. | 106 | 100 | 129 | 107 |
| DEC. | 107 | 102 | 123 | 106 |

1976

| | | | | |
|------|-----|-----|-----|-----|
| JAN. | 112 | 105 | 140 | 109 |
|------|-----|-----|-----|-----|

1/ VOLUME BASIS.

HILLENBRAND

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EO Systematic Review
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TAGS: EFIN, GE
To: STATE
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